

K2 Global High Alpha Fund

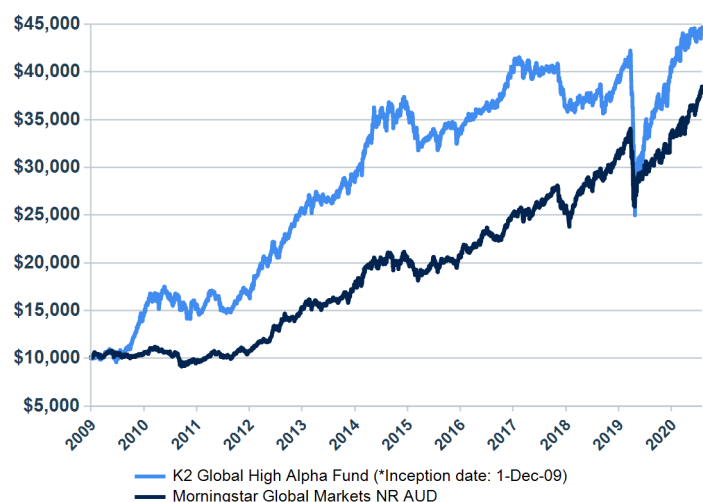
30 June 2021



The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	3 Months	6 Months	1 Year	5 Years (%pa)	10 Years (%pa)	Inception (%pa)
Performance (Net of Fees)	1.70%	4.03%	8.25%	32.67%	6.58%	10.67%	13.79%

Growth of \$10,000



Top 5 Stock Holdings	Current	Monthly Move
Macquarie Group Ltd	5.6%	+0.0%
Maas Group Holdings Ltd	4.8%	+0.7%
BHP Group Ltd	4.5%	-1.8%
RIO Tinto Ltd	4.2%	-1.8%
MA Financial Group Ltd	4.0%	-0.1%

Month End Exposures	Current	Monthly Move
Communication Services	1.8%	-1.7%
Consumer	10.9%	-6.2%
Energy	0.7%	-0.5%
Financials	25.7%	-1.4%
Health Care	4.8%	-5.3%
Industrials/Real Estate	8.2%	-0.8%
Information Technology	7.0%	0.0%
Materials	13.1%	-6.2%
SHORTS	-0.6%	+0.9%
Number of Positions	44	-11
Gross Equity Exposure	74.4%	-27.8%
Cash Weighting	26.9%	+26.1%
Net Equity Exposure	73.1%	-26.1%
Currency Exposure Hedged of AUD	84.2%	-0.3%

George Boubouras
Head of Research
research@k2am.com.au
03 9691 6111

Marcela Tirado
Client Services
invest@k2am.com.au
03 9691 6111

Commentary

The K2 Global High Alpha Fund returned +1.7% for the month and has now returned +32.67% over the past year outperforming the benchmark (BM).

Global equity markets were broadly higher in June as investors digested the latest musing from the US Federal Reserve. A tiny shift in rhetoric to indicate that interest rates may increase sooner than expected was enough to send bond yields down and the USD up as perceived less risky assets benefited. Helping to calm investor nerves, Chairman Powell in his speech to congress emphatically stated that rates will not be raised pre-emptively with any increase only happening when there is evidence of actual inflation. The case for transitory inflation largely driven by supply disruptions gained momentum as key food and materials prices such as lumber (-58%), corn (-7%) and Soybeans (-13%) have all declined from their May highs.

Peeking under the hood, Technology stocks regained their ascendancy while a flattening yield curve lead to Financials selling off. Meanwhile in Asia, Chinese markets continue to underperform their global peers. In stark contrast to the US, China appears to have the fiscal and monetary brakes on in their efforts to control inflation and credit excesses. Such an orthodox approach provides little inspiration for equities with the local CSI 300 Index flat year to date compared to an increase of +14.4% for the S&P 500 Index.

The best performing holding for the fund for the month were once again driven by Maas Group (MGH) which rose 20% as the company continues to deploy capital to make several EPS accretive acquisitions and has recently raised capital to provide a strong balance sheet for further M&A. Other top performers included Universal Biosensors (UBI) and Nike (NKE) which rose 29% and 13% respectively. UBI continues to gain traction with its new wine testing technology device called SENTIA. The company announced further distribution agreements in June and made its first sales in Europe. Nike rose on a blowout beat to expectations on its 4Q21 earnings result and remains well positioned to provide exceptional growth over the coming years.

The AUD fell -3.1 to 0.7497 driven from a strong USD that benefited from a hawkish US Federal Reserve. Despite, recent weakness we believe the AUD is positioned for further strength primarily supported by above trend global growth. The fund is currently 84% hedged to the AUD providing capital protection against a rising AUD. The fund remains fully invested. With central banks steadfastly anchored at close to zero and governments ready to unleash a flood of fiscal spending, we believe equities continue to be the asset class of choice.

Fund Characteristics	
FUM	AUD \$32m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen and Tony Sutton
Strategy	International Equities
Objectives	To deliver consistent absolute returns over the investment cycle with a focus on capital protection during periods of market declines
Return Target	+10% pa over the long term
Number of Stocks	Up to 120
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

K2 Global High Alpha Fund Net Monthly Returns in AUD

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD	Fin YTD Index (1)	Average Cash	Average Short
2009/10						0.81	-1.26	3.46	4.61	-0.28	-5.44	1.83	3.45	1.48	33.67%	-0.28%
2010/11	5.28	1.36	13.20	8.95	5.90	10.18	0.83	2.04	0.66	3.40	-1.73	-3.09	56.62	3.50	9.62%	-0.76%
2011/12	0.97	-3.09	-8.55	8.86	-3.30	-3.53	6.22	7.90	0.04	-2.47	-7.31	-2.32	-8.00	-2.59	28.98%	-0.74%
2012/13	1.48	4.49	4.01	3.53	-0.97	6.91	4.92	4.42	2.18	4.42	1.80	-0.81	42.70	31.02	13.92%	-0.37%
2013/14	4.92	2.22	4.73	4.27	3.23	1.63	0.34	2.41	-0.56	0.05	0.19	-1.73	23.68	19.62	8.04%	-0.01%
2014/15	4.61	1.56	1.56	1.07	1.18	3.26	4.83	4.50	2.41	3.16	3.69	-3.51	31.92	23.89	9.19%	-0.07%
2015/16	4.50	-2.39	0.65	3.12	-1.87	-1.03	-4.72	-4.73	1.62	0.78	2.15	-4.13	-6.41	-0.60	18.10%	-0.49%
2016/17	3.76	2.20	-0.06	-1.85	0.62	1.52	2.24	-0.78	2.64	0.04	1.91	-0.90	11.77	15.36	19.74%	-2.44%
2017/18	0.12	3.67	1.39	3.63	1.83	1.24	-0.35	-0.17	-1.33	0.18	-0.69	0.59	10.45	15.13	16.40%	-2.98%
2018/19	0.60	0.51	-0.28	-4.95	-5.27	1.63	-3.30	3.85	-1.25	2.65	-1.85	1.26	-6.64	10.51	38.34%	-6.22%
2019/20	1.96	-3.55	2.80	0.91	3.40	2.16	1.13	-7.77	-23.23	8.13	6.33	1.38	-10.05	3.22	14.75%	-2.80%
2020/21	4.68	5.52	-0.96	-1.07	9.78	3.15	-0.28	3.41	0.90	3.48	-1.14	1.70	32.67	28.43	3.62%	-0.45%
												Incept.	346.75	284.23		
												Incept.	13.79%pa	12.32%pa	17.86%	-1.46%

(1) Morningstar Global Markets NR AUD

DISCLAIMER: The K2 Global High Alpha Fund is issued by K2 Asset Management Limited (K2) ABN 95 085 445 094, AFS Licence No 244393, a wholly owned subsidiary of K2 Asset Management Holdings Limited. The information contained in this document is produced in good faith and does not constitute any representation or offer by K2. It is subject to change without notice and is intended as general information only and is not complete or definitive. The information provided in this document is current at the time of the preparation and K2 is not obliged to update the information. K2 does not accept any responsibility and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. Please note that past performance is not a reliable indicator of future performance. Any advice and information contained in this document is general only and has been prepared without taking into account any particular circumstances and needs of any party. Before acting on any advice or information in this document you should assess and seek advice on whether it is appropriate for your needs, financial situation, and investment objectives. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any rating given by a ratings agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the ratings agency themselves. A product disclosure statement or information memorandum for the funds referred to in this document can be obtained at www.k2am.com or by contacting K2. You should consider the product disclosure statement before making a decision to acquire an interest in the fund.

©2021 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.